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26 March 1980

MEMORANDUM

SUBJECT: Further Chinese Statements on Taiwan's Membership in IMF

1. China is unlikely to withdraw its stated demand that Taiwan be expelled from the IMF/IBRD. Beijing, however, in seeking IMF membership, may adopt tactics sufficiently flexible to preserve this principle while circumventing the "one China" issue and avoiding assumption of Taiwan's obligations to IMF/IBRD.

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2. Recent remarks indicate that the "one China" issue and unwillingness to assume Taiwan's obligations to IMF remain key points for Beijing. [redacted] information apparently is based on informed assumptions, some other formula besides simple expulsion of Taiwan might be contrived to solve these issues.

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[redacted] the details of such an arrangement had not yet been worked out, but that it involved some type of unofficial association with IMF for Taiwan. [redacted] association which would fall short of Taiwan's full membership, but would allow Taiwan to continue to enjoy certain benefits. More importantly, it would allow Taiwan to fulfill its remaining obligations to the IMF.

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Evidently Beijing's political interest in not severely damaging Taiwan's economy in order to lend credibility to its public statements that reunification with China will not result in the island's economic decline, is subordinate to eventually making good on Beijing's claim to be the sole legal national government of the island.

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3. In considering Taiwan's continued association with IMF, Beijing authorities may have in mind the "Netherlands Antilles" precedent and the International Olympic Committee's solution of the Taiwan membership problem in the international Olympic organization. Article 4 of the IMF Articles permits the Fund to conduct consultations with territories of member countries with separate currencies, as in the case of the Netherlands Antilles. In the Olympic case, Beijing accepted the IOC solution which allowed Taiwan to remain in the Olympic organization and participate in the games as long as Taiwan did not use the name "Republic of China" or the flag and anthem of the "Republic of China." In addition Taiwan must change the name of its Olympic Committee to "Chinese Taipei Olympic Committee."

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4. The above examples have in common the subordination of the authorities in Taipei to the government in Beijing. In the more applicable Netherlands Antilles example, designation of Taiwan as subordinate territory is a necessary precondition to Article-4 type arrangements.

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5. Since early 1979 the authorities on Taiwan have been considering methods for remaining in international organizations, including the IMF and the Olympics. In February 1979, the Ministry of Foreign Affairs (MOFA) was instructed to prepare a new policy paper concerning Taiwan's relationship with IMF and IBRD. In considering this task, MOFA officials believed that China's admission to IMF could not be prevented and recommended against such a strategy. Rather they preferred to devise a strategy to retain membership as the "Republic of China" if possible, but under the name "Taiwan" if necessary.

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6. It is not clear that higher authorities in Taipei would accept such a solution. In the case of the Olympics, they have not, despite the fact that a high-level government committee organized in February 1979 later submitted three names other than "Republic of China" under which the island could retain Olympic membership. So far this tactic has only been used to retain membership in several international academic associations.

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7. It is unlikely that the authorities in Taipei will accept a designation by IMF which would subordinate Taiwan to the government in Beijing. In this case political factors probably will outweigh economic considerations. Particularly at this time, when the trials of Taiwanese dissidents are in the public eye, the leadership in Taipei would not welcome any move which might undermine the legitimacy of its authority.

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